

**HIDDEN VALLEY LAKE  
COMMUNITY SERVICES DISTRICT  
CALIFORNIA**

**SINGLE AUDIT ACT  
REPORTS AND SCHEDULES  
FOR THE YEAR ENDED  
JUNE 30, 2008**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT  
SINGLE AUDIT ACT  
FOR THE YEAR ENDED JUNE 30, 2008**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, California

We have audited the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the District in a separate report dated January 27, 2009.

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, California

This report is intended solely for the information and use of management, others within the organization, Board of Directors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

*Smith & Newell*

Smith & Newell, CPAs  
Yuba City, California  
January 27, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, California

Compliance

We have audited the compliance of Hidden Valley Lake Community Services District, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

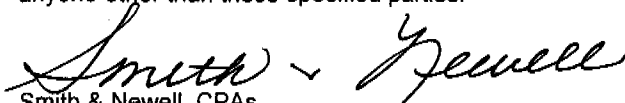
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, California

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 27, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, Board of Directors, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written over the printed name.

Smith & Newell, CPAs  
Yuba District, California  
January 27, 2009



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Receipts or Revenues Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially				
Declared Disasters) (B)	97.036	FEMA-1628-DR-CA	<u>820,969</u>	<u>820,969</u>
Total U.S. Department of Homeland Security			<u>820,969</u>	<u>820,969</u>
Total			<u>\$ 820,969</u>	<u>\$ 820,969</u>

See the accompanying Notes to Schedule of Expenditures of Federal Awards.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2008**

**1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Hidden Valley Lake Community Services District. The Hidden Valley Lake Community Services District reporting entity is defined in Note 1 to the District's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the District's financial statements, federal award revenues are reported principally in the District's financial statements as intergovernmental revenue in the combined Water and Sewer Funds.

**4. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the District determined that no identifying number is assigned for the program or the District was unable to obtain an identifying number from the pass-through entity.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Status

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued   | Unqualified |
| 2. Internal controls over financial reporting:                                   |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiencies identified not considered to be material weaknesses? | No          |
| 3. Noncompliance material to financial statements noted?                         | No          |

Federal Awards

- |  |             |
|--|-------------|
| 1. Internal control over major programs:   |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiencies identified not considered to be material weaknesses?                                       | No          |
| 2. Type of auditor's report issued on compliance for major programs:   |             |
| All major programs   | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? | No          |
| 4. Identification of major programs:   |             |
| 97.036                      Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)(B)              |             |
| 5. Dollar threshold used to distinguish between Type A and Type B programs?  | \$300,000   |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?                                      | No          |

**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Audit Reference**

**Status of Prior Year Audit Findings**

There were no prior year audit findings.